



DATE: September 29, 2021

TO: Board of Commissioners

FROM: Kimberly Branam, Executive Director

SUBJECT: Report Number 21-27

Authorizing an increase in the existing Commercial Property Redevelopment Loan to Foster the Phoenix, LLC to an amount of up to \$580,000

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7433

This action by the Prosper Portland Board of Commissioners (Board) will authorize the Executive Director to execute a loan amendment, increasing the loan amount to Foster the Phoenix, LLC (Borrower) from \$293,000 to \$580,000. The loan is for Phase II of the rehabilitation of a historic building, formerly known as the Phoenix Pharmacy, located at 6615 SE Foster Road, within the Lents Town Center urban renewal area (URA). Funds will come from the Commercial Property Redevelopment Loan (CPRL) program.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

This action will deliver on Prosper Portland's Strategic Plan objective to create healthy, complete neighborhoods by promoting the development of safe and convenient access to goods and services needed for daily life.

BACKGROUND AND CONTEXT

In August 2020, Prosper Portland extended a loan to the Borrower in the amount of \$235,000 for Phase I of the rehabilitation of the Phoenix Pharmacy building. Most recently, an increase of \$58,000 for Phase II soft costs was approved; both actions were approved under Delegated Authority.

At that time, the Borrower originally wanted to complete all rehabilitation as one project, however, the building could not secure conventional financing. In response, the Borrower opted to create a two-phased approach (Phase I and Phase II). Under Phase I, the Borrower focused on completing the most urgent structural improvements (roof, façade, electrical, HVAC) and on rehabilitating the second-floor office spaces. Under Phase II, the Borrower planned to focus on the first-floor retail rehabilitation, using lease income from the office spaces to leverage conventional financing for Phase II.

Phase I improvements are underway and almost complete. The Borrower has signed its first three leases on the second floor and has secured a temporary occupancy permit, expecting the final permit once the storefront is complete.

Due to a recent opportunity to lease the entire first floor, the Borrower cannot proceed with their original strategy of leveraging conventional financing. The Borrower recently secured a Letter of Interest from Foster Outdoor to occupy the first floor. Foster Outdoor has expressed that in order to

move, they must occupy the new space in spring 2022, before their summer sales peak. If the Borrower cannot deliver the space by spring, Foster Outdoor will have to wait until fall 2022 to move. This delay would negatively impact the Borrower's cashflow in 2022. For this reason, the Borrower is requesting that the original loan be modified by increasing the loan from \$293,000 to \$580,000; this represents an increase of \$287,000. The purpose for this increase is to complete the rehabilitation of the building by paying for Phase II on-site and off-site improvements, including tenant improvements for Foster Outdoor.

EQUITY IMPACT

Prosper Portland's Commercial Property Redevelopment Loan (CPRL) program is designed to assist private partners with redevelopment, new development, and tenant improvements that encourage property revitalization and wealth creation within TIF Districts. The project must demonstrate a significant public purpose, which can include preservation of historic buildings, implementation of transit-oriented development, supportive of job growth or job retention, integration of sustainable and green building practices, and advancement of social equity. One of the public benefit criteria outlined in the program is preservation of an older or historic building, identified as being a building on the National Register of Historic Places, either individually listed or identified as contributing in a historic district, or an older building eligible for 10% Historic Tax Credit. Although this building is not yet on the National Register, a one percentage point reduction is allowed based on the approval by the State Historic Preservation office for National Registry nomination.

In addition to preserving a historic building, this project will create commercial opportunities to serve an underserved community and promote the development of locally- and family-owned small businesses.

COMMUNITY PARTICIPATION AND FEEDBACK

The State Historic Preservation Office (SHPO) has approved the building to be submitted to the National Registry and has approved a Diamond in the Rough Grant of \$20,000 to help with the renovation of the building. The project has also secured unanimous support from Foster Powell Neighborhood Association, Mt. Scott Arleta Neighborhood Association, and Foster Area Business Association.

BUDGET AND FINANCIAL INFORMATION

URA: Lents								
Date: 08-Sep-21								
	REPORT SECTION							
	Actuals	Revised	Actuals	Requested	Forecast	Forecast	Forecast	Forecast
Lents Town Center TIF Fund	FY 2020-21	FY 2021-22	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Property Redevelopment								
Commercial Property Lending								
A00365-CPRL-General-LTC	544,474	3,001,000	442,658	2,000,000	1,000,000	0	0	0
A00623-Bakery Blocks CPRL-LTC	0	0	0	0	0	0	0	0
Commercial Property Lending	544,474	3,001,000	442,658	2,000,000	1,000,000	-	-	-

The 2021-22 FY budget allocated \$3,000,000 for Commercial Property Lending in the Lents TIF District. Of this amount, only \$442,000 has been utilized, so this request is in line with the budgeted amount.

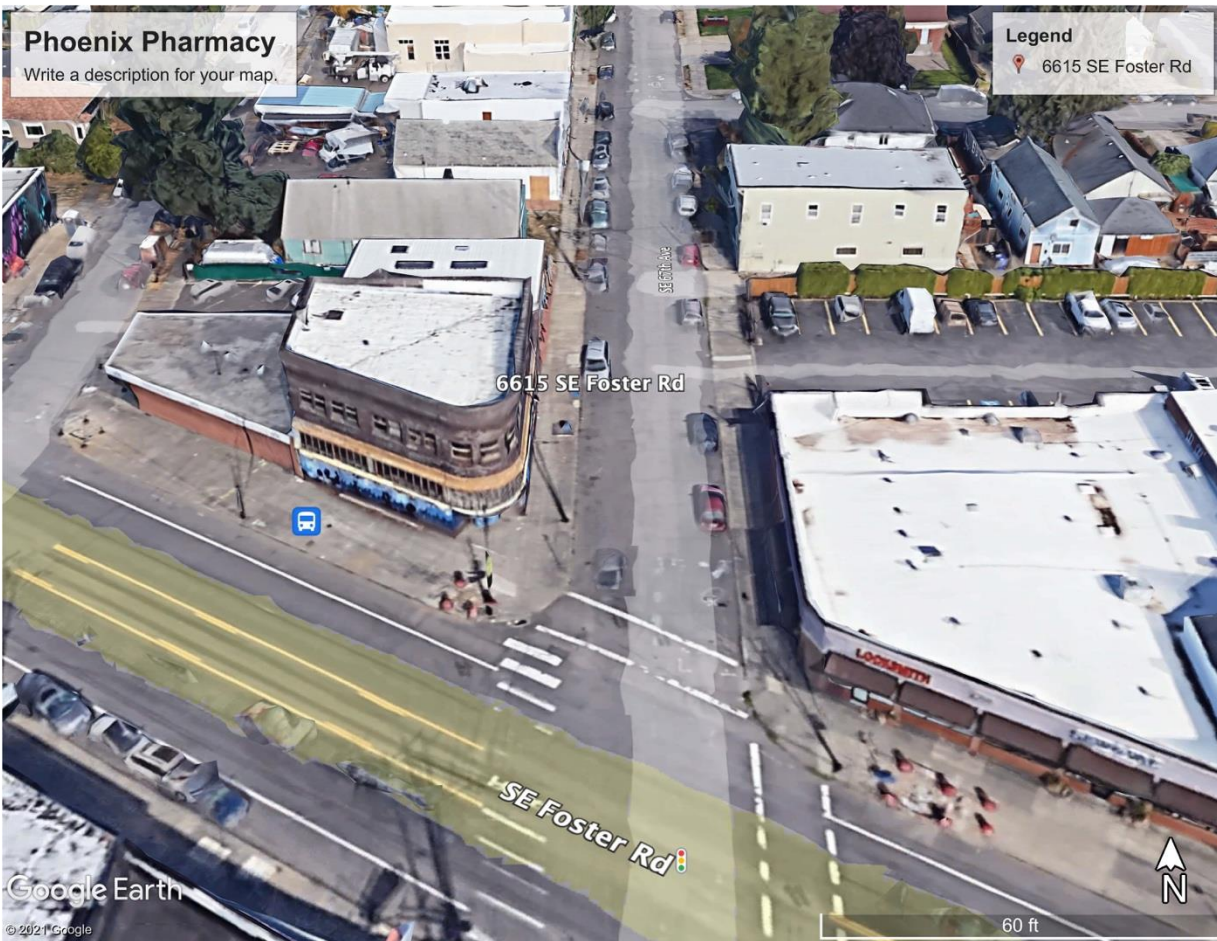
RISK ASSESSMENT

To minimize lending risk, staff has reviewed updated financial information, including personal and business tax returns, personal financial statements, a recent appraisal, a letter of interest, and shareholder promissory note. The financial analysis reveals that the Borrower has the ability to service the proposed debt.

ATTACHMENTS

- A. Aerial Photo of Subject Property
- B. Memo - Original Loan Approval Dated 8/6/20
- C. Memo - First Loan Increase Dated 9/9/21

AERIAL PHOTO OF SUBJECT PROPERTY



FIC Approval Coversheet – Loan/Grant Review

☐ Prosper Portland Board Action Required

☐ Budget Amendment Needed

☒ Loan Review

☐ Grant Review

Attorney Assigned: (choose one)

Meeting Date: 8/6/2020

Presenter(s): Brook Mentire

Project Name: The Phoenix Pharmacy

Project Address: 6615 SE Foster Rd.

URA: Lents

City, State, Zip: Portland, OR 97206

Business / Borrower Name: Foster the Phoenix, LLC

Action Requested:

☒ New ☐ Extension ☐ Restructure ☐ Modification ☐ Subordination ☐ Write-Off ☐ Other

NOTE: If action requested includes approval of tax abatement on the project, it requires an affirmative statement in the report that either the City's Debt Manager or Prosper Portland's Financial Planning has reviewed the abatement and has determined it is not in conflict with an existing bond covenant.

Exceptions:

☐ There are NO exceptions ☐ There ARE exceptions on page(s):

Choose a Department Manager:

Amy Edwards

Digitally signed by Amy Edwards
Date: 2020.08.03 11:52:56 -07'00'

Date: _____

Comments:

Choose a Department Director:

Lisa Abuaf

Digitally signed by Lisa Abuaf
Date: 2020.08.03 14:08:59 -07'00'

Date: _____

Comments:

Committee Approvals:

☒ "Approval" Recommended

☐ "Not Approved" Recommended

Comments:

Committee Sign-Off:

Adam Lane w/ delegated authority Adam Lane, CFO & FIC Chair

Lisa Abuaf Lisa Abuaf, D&I Director

Justin Douglas
Justin Douglas (Aug 6, 2020 14:47 PDT)

Alison Kean, General Counsel

Justin Douglas, Policy Manager

Tony Barnes
Tony Barnes (Aug 6, 2020 14:47 PDT)

Tony Barnes, Finance Manager

Executive Director Sign Off:

☒ APPROVED ☐ NOT APPROVED ☐ MODIFICATION

Adam Lane w/ delegated authority
Adam Lane w/ delegated authority (Aug 7, 2020 10:46 PDT)

Executive Director

Date

Comments:

☐ RETURN TO FIC



INTERNAL MEMORANDUM

DATE: 8/6/2020

TO: Financial Investment Committee

FROM: Brook Mentire, Loan Officer

SUBJECT: Foster the Phoenix, LLC (f.k.a Phoenix Pharmacy)
6615 SE Foster Rd. Portland, OR 97206

PROPOSED LOCATION: 6615 SE Foster Rd. Portland, OR 97206

1. ACTION REQUESTED

Recommend approval for a \$235,000 Commercial Property Redevelopment Loan (CPRL) loan for Foster the Phoenix, LLC in the Lents TIF District for rehabilitation of a historic building that has been neglected and vacant for many years.

2. LOAN INFORMATION SUMMARY

Loan Amount:	\$235,000
Strategic Plan Alignment:	TIF District
TIF District:	Lents Town Center
Purpose:	Building Rehabilitation
Loan Fee:	\$2,350
Interest Rate:	5.25%
Loan Term & Amortization:	10 year term amortized over 25 years; 12 month interest-only payments followed by 9 year P&I payments
Interest-Only Payments (max):	\$1,028
Principal & Interest Payments:	\$1,408
Debt Coverage Ratio (DCR)*:	1.88
Collateral:	First position TD on subject property
Loan To Value (LTV):	45%
Guarantors:	Matt Froman; Richard Michaelson, Karen Karlsson & Nonetop, LLC
Risk Rating:	A
Exceptions to Guidelines:	None

*DCR is average of the 10-year projections.

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3. PROSPER PORTLAND EXPERIENCE WITH BORROWER AND ENTITIES

Program	Loan/ Grant	Amount	Settlement Date	Note
DOS	Grant	\$12,000	12-Mar-12	
Prosperity Investment Program (PIP)	Grant	\$60,000	04/18/2017	
Predevelopment Loan	Loan	\$31,350	8/13/2019	Only \$15,771 drawn; balance to be paid in full through the proposed loan

4. PURPOSE OF LOAN / PROJECT DESCRIPTION

Foster the Phoenix is seeking to restore the historic Phoenix Pharmacy building on Southeast Foster Road. The building is an unconditioned, two-story brick structure that has been vacant for several years. The building was a cornerstone in the Mt. Scott Arleta neighborhood, but has been vacant for several years and fallen victim to neglect and deferred maintenance. Matt Froman, whose family owned the property, has partnered with experienced developers Richard Michaelson and Karen Karlsson to restore the property and return an anchor building to the community.

The proposed project is phase one of a two phase approach to fully restore the building. In this initial phase, they will rehabilitate the SE Foster Road facade; the corner entrance to the former ground floor pharmacy, the second-floor entrance, stairs and office suite; and, the adjacent, single-story 1954 annex. Their priority is the second-floor office suite because the project is not economically feasible without income from the office suite and the annex.

The first and most expensive repair is the roof without which the building is not weather-tight and not occupiable. The entire roof will be upgraded with seismic bracing and other appropriate structural improvements. This work will also include stabilizing and anchoring the parapet wall surrounding the building roof and adding structural sheathing and insulation. The door to and stairway to the offices will be repaired to leasable condition. Electrical service will be returned with a new panel and service throughout. The bathroom will be restored, HVAC and flooring will be installed, and framing and sheetrock repairs will be performed as needed.

The work on the annex will include adding a bathroom, HVAC system and restoring electrical service. The space will be converted into a retail or office space.

Finally, they will restore the building exterior, which will be important in communicating the building's revival to the neighborhood by replacing, repairing and painting the windows, window frames, and doors in as part of the façade rehabilitation. Specific attention to historic details will inform how they restore the façade. Existing materials and hardware will be refurbished wherever possible. New but compatible materials will be used otherwise.

The second phase of the project will include renovation of the ground floor retail space and a complete seismic upgrade of the building. Initially, the partners wanted to renovate the entire building at the same time, but they realized that they couldn't secure commercial loan to fund the project in the current condition. With the proposed phased approach, they believe they can leverage the lease income from the office spaces and pre-lease commitment for the retail space to obtain financing for the second phase of the project.

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5. FINANCIAL ASSISTANCE OBJECTIVES

The ***Commercial Property Redevelopment Loan (CPRL)*** program is designed to assist private partners with redevelopment, new development, and tenant improvements that encourage property revitalization and wealth creation within TIF districts. The project must demonstrate a significant public purpose, which can include preservation of historic buildings, implementation of transit-oriented development, supportive of job growth or job retention, integration of sustainable and green building practices, and advancement of social equity. Most costs related to development are eligible for Prosper Portland assistance, including development feasibility analysis, property acquisition, environmental analysis, and remediation, seismic and tenant improvements and other construction costs, and public infrastructure improvements related to a development project.

Interest rate is a fixed rate based on the current Prime Rate plus 3% points with the ability to reduce by a maximum of three percentage points for meeting certain public objectives. One of the public benefit criteria outlined in the program is preservation of an older or historic building, identified as being a building on the National Register of Historic Places, either individually listed or identified as contributing in a historic district, or an older building eligible for 10% Historic Tax Credit. Although this building is not yet on the National Register, a one percentage point reduction is allowed based on the approval by the State Historic Preservation office for National register nomination.

6. APPROPRIATE AND NECESSARY DETERMINATION

The proposed project meets all program eligibility guidelines for the CPRL Loan Program; specifically, it supports private partners preserve and renovate a historic building. The State Historic Preservation Office (SHPO) has approved the building to be submitted to the National Registry and has approved Diamond in the Rough Grant of \$20,000 to help with the renovation of the building.

The project has also secured a unanimous support from Foster Powell Neighborhood Association, Mt. Scott Arleta Neighborhood Association and Foster Area Business Association.

Prosper Portland's financial support is necessary for the rehabilitation of the Phoenix Pharmacy building. The building is vacant and has been for many years. Traditional lenders are unwilling to lend to the project in the building's present condition.

7. COMPANY HISTORY & OVERVIEW

Foster the Phoenix, LLC is a new entity formed for the purpose of restoring the Phoenix Pharmacy building. Two of the partners, Karen Karlsson and Rick Michaelson, are experienced developers that specialize in restoration of historic buildings.

8. MANAGEMENT EXPERIENCE

Matt Froman, Managing Partner, 40% owner:

Matt's family owned the property for over two decades. He took the initiative to partner with experienced developers to restore the subject building. He is employed as a Tour Manager at On The Mark Boston and owns & manages several residential rental properties.

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Karen Karlsson, Managing Partner, 50% owner of Nonetop LLC:

Karen Karlsson is the founder of KLK Consulting, and she provided a range of regulatory, planning and construction management services to public and private clients. Karen has managed and acquired all the necessary permits for the I-205 light rail project, as well as obtained many of the land use approvals and building permits for the Mall light rail project. KLK is also acquired land use approvals and construction permits for the Portland Milwaukie Light Rail project and provided construction advice to Prosper Portland on the Union Station Critical Repairs project. Prior to launching her consulting business in 2003, Karen was a long-term employee of the Portland Bureau of Transportation. As a Project Manager, she was involved in many complex development projects from planning through construction.

Rick Michaelson, Managing Partner, 50% owner of Nonetop LLC.

Rick Michaelson is a prominent Preservation expert in Portland and a recipient of Historic Preservation McMath Award. Rick Michaelson is also an experienced developer and the founder and President of Inner City Properties Inc.

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9. SOURCES & USES

Sources	Amount	Percentage
Proposed loan	\$ 235,000	34%
Owner equity, Nontop	\$ 200,000	29%
Owner equity, Matt Froman	\$ 100,000	15%
Unsecured loans (Nonetop)	\$ 70,000	10%
Grant, Diamond in the Rough	\$ 20,000	3%
Grant, PIP	\$ 60,000	9%
Total Sources	\$ 685,000	100%
Uses	Amount	Percentage
Property purchase	\$ 200,000	29%
Roof with seismic	\$ 166,000	24%
2nd floor office & annex improvement	\$ 145,755	21%
Storefront improvement	\$ 40,000	6%
Site improvement	\$ 20,000	3%
Architect, Engineering & Environmental	\$ 39,275	6%
Permit & Misc	\$ 10,000	1%
Historic building consultant	\$ 1,160	0%
Contingency	\$ 32,810	5%
Predev loan payoff	\$ 16,000	2%
Carrying cost	\$ 14,000	2%
Total Uses	\$ 685,000	100%

The loan from Nonetop to Foster the Phoenix is unsecured. The total contribution from Prosper Portland to this project will be \$295,000, including PIP grant of \$60,000. The proposed loan also includes an allocation to pay off current Prosper Portland predevelopment loan balance. Nonetop contributed \$200,000 towards the purchase of the property under the newly formed partnership, Foster the Phoenix LLC.

The budget includes \$32,810 in contingency or 5% of the project cost, which is standard for the project of this size and is expected to cover potential cost overrun. The budget also includes \$14,000 in holding costs that would cover recurring expenses and loan payments for 8 months

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10. OPERATING PROFORMA

Revenue	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Potential Gross Income	\$ 40,956	\$42,185	\$43,450	\$ 44,754	\$46,096	\$47,479	\$48,904	\$50,371	\$51,882	\$53,438
Vacancy	\$ 2,048	\$ 2,109	\$ 2,173	\$ 2,238	\$ 2,305	\$ 2,374	\$ 2,445	\$ 2,519	\$ 2,594	\$ 2,672
Effective Gross Income	38,908	40,075	41,278	42,516	43,792	45,105	46,458	47,852	49,288	50,766
Expenses										
Maintenance & Cleaning	\$ 898	\$ 925	\$ 953	\$ 981	\$ 1,011	\$ 1,041	\$ 1,072	\$ 1,104	\$ 1,138	\$ 1,172
Utilities	\$ 950	\$ 979	\$ 1,008	\$ 1,038	\$ 1,069	\$ 1,101	\$ 1,134	\$ 1,168	\$ 1,203	\$ 1,240
Insurance	\$ 1,517	\$ 1,563	\$ 1,609	\$ 1,658	\$ 1,707	\$ 1,759	\$ 1,811	\$ 1,866	\$ 1,922	\$ 1,979
Property Taxes	\$ 6,265	\$ 6,453	\$ 6,647	\$ 6,846	\$ 7,051	\$ 7,263	\$ 7,481	\$ 7,705	\$ 7,936	\$ 8,174
Management		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Expenses	\$ 609	\$ 627	\$ 646	\$ 665	\$ 685	\$ 706	\$ 727	\$ 749	\$ 771	\$ 795
Total operating expenses	\$ 10,239	\$10,546	\$10,863	\$ 11,188	\$11,524	\$11,870	\$12,226	\$12,593	\$12,970	\$13,360
Net Operating Income	\$ 28,669	\$29,529	\$30,415	\$ 31,328	\$32,267	\$33,235	\$34,233	\$35,259	\$36,317	\$37,407
Debt service										
Unsecured Loans (\$70K)	\$ 1,138	\$ 1,138	\$ 1,138	\$ 1,138	\$ 1,138	\$ 1,138	\$ 1,138	\$ 1,138	\$ 1,138	\$ 1,138
Prosper Portland Loan	\$ 12,338	\$16,899	\$16,899	\$ 16,899	\$16,899	\$16,899	\$16,899	\$16,899	\$16,899	\$16,899
Total debt service	\$ 13,476	\$18,037	\$18,037	\$ 18,037	\$18,037	\$18,037	\$18,037	\$18,037	\$18,037	\$18,037
Cash flow after debt service	\$ 15,194	\$11,492	\$12,378	\$ 13,291	\$14,231	\$15,199	\$16,196	\$17,223	\$18,280	\$19,370
Debt service coverage	2.13	1.64	1.69	1.74	1.79	1.84	1.90	1.95	2.01	2.07
Partners Investment	346,755									
Loans	305,000									
Vacancy	5.0%									
Rent Increase	3.0%									
Cap Rate (per appraisal)	5.5%									
Internal Rate of Return (sale yr 10)	5.0%									

OPERATING PROFORMA ANALYSIS

The revenue in the operating proforma is based on an estimated rental rate of \$600 per office space or \$18/sf. This rate is supported by a Costar comparable analysis conducted for small office spaces in the area over the last two years. According to the report, Gross Asking Rent over the two-year period was \$24.09/sf, whereas the Gross Effective Rent was \$18/sf. Moreover, the applicant has received six letters of interest (LOI) from local businesses at \$600 per unit. The businesses that submitted the LOI include an Attorney, Make-Up Artist/Photographer, Clinical Social Worker in private practice, Gaming/Audio company, Massage Therapist, and Podcast Production company. Copies of the LOIs is attached.

The operating revenue shows that the company can maintain an average DSC of 1.88 over the ten-year projected period, demonstrating ability to repay its debt obligations. The primary debt service obligation will be to Prosper Portland for the proposed loan. The company's other debt obligations, held by Nonetop LLC, are unsecured and have no or minimal monthly payment requirements. The operating expenses are at the lower end, but the partners are committed to managing the building and performing all work that doesn't require a licensed contractor.

Assuming the sale of the building in year 10, the internal rate of return is 5%, which is significantly below market rate of return. However, this assumption doesn't take into consideration the additional investment required to renovate the downstairs retail space or the income it will generate. Because of the lack of information to analyze the second phase of the project, the internal rate of return calculation is incomplete.

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11. GUARANTORS' FINANCIAL CONDITION

Nonetop, LLC (60% owner of Foster the Phoenix)

Balance Sheet	05/21/2020
Cash	30,903
Total Current Assets	30,903
Fixed Assets, net	1,997,442
Other Assets (Loans from Nonetop)	372,159
Total Assets	2,400,504
Total Current Liabilities	-
Long Term Debt	1,290,000
Total Liabilities	1,290,000
Shareholder's Equity	1,110,494
Total Equity	1,110,494
Total Liabilities & Equity	2,400,494
Working Capital	30,903
General Liquidity	1%
Current Ratio	#DIV/0!
Total Debt-to-Assets	54%
Total Debt-to-Equity	116%

Richard Michaelson (50% owner of Nonetop LLC)

Income	Historical			Projections		
Tax Returns:	2017	2018	2019	2020	2021	2022
Wages	\$ 94,495	\$ 100,396	\$ 105,416			
Interest/Dividends	\$ 97,973	\$ 139,748	\$ 146,735			
Capital Gains/ Losses	\$ 155,344	\$ 1,885,182				
IRA Distributions						
Pensions & Annuities						
Social Security Income	\$ 21,310	\$ 21,773	\$ 22,862			
Net Income, Investment Properties	\$ 75,959	\$ (325,801)	\$ -			
Other Income		\$ 874				
Total Income Before Taxes	\$ 445,081	\$ 1,822,172	\$ 275,013			
Federal Income Tax (enter as negative)	\$ (39,504)	\$ (297,393)	\$ -			
State Income Tax (enter as negative)						
Net Personal Income after Taxes	\$ 405,577	\$ 1,524,779	\$ 275,013			
Add-Back Depreciation/Amortization			\$ -			
Adjusted Income	\$ 405,577	\$ 1,524,779	\$ 275,013			
Living Expenses (See Drop-down for %)	\$ -	\$ -	\$ -			
Cash Available for Debt Service	\$ 405,577	\$ 1,524,779	\$ 275,013			
Annual Debt Service						
Net Personal Cash Flow	\$ 405,577	\$ 1,524,779	\$ 275,013			

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Balance Sheet		as of: 2/10/2020
Cash & Equivalents	\$	2,026,123
Stocks & Bonds	\$	9,839,477
Accounts, Contracts & Notes Receivables	\$	894,260
Primary Residence	\$	1,200,000
Investment Properties	\$	1,050,000
Total Assets	\$	15,009,860
Mortgage Loan, Primary Residence	\$	500,791
Mortgage Loan(s), Investment Property(ies)	\$	143,000
Total Liabilities	\$	643,791
Net Worth	\$	14,366,069

Karen Karlsson (50% owner of Nonetop LLC)

Income		Historical			Projections		
	Tax Returns:	2017	2018	2019	2020	2021	2022
Wages			\$ 396	\$ 416			
Interest/Dividends			\$ 5,281	\$ 5,545			
Capital Gains/ Losses		\$ -	\$ -	\$ -			
IRA Distributions		\$ 27,838	\$ 22,902	\$ 24,047			
Pensions & Annuities				\$ -			
Social Security Income				\$ -			
Net Income, Investment Properties		\$ (2,213)	\$ (13,877)	\$ -			
Other Income							
Total Income Before Taxes		\$ 25,625	\$ 14,702	\$ 30,008			
Federal Income Tax (enter as negative)		\$ -	\$ -	\$ -			
State Income Tax (enter as negative)							
Net Personal Income after Taxes		\$ 25,625	\$ 14,702	\$ 30,008			
Add-Back Depreciation/Amortization				\$ -			
Adjusted Income		\$ 25,625	\$ 14,702	\$ 30,008			
Living Expenses (See Drop-down for %)		\$ -	\$ -	\$ -			
Cash Available for Debt Service		\$ 25,625	\$ 14,702	\$ 30,008			
Annual Debt Service							
Net Personal Cash Flow		\$ 25,625	\$ 14,702	\$ 30,008			

Balance Sheet		as of: 3/2/2020
Cash & Equivalents	\$	13,894
Retirement Accounts	\$	757,098
Personal Property	\$	15,000
Total Assets	\$	785,992
Revolving Debt (credit cards, etc)	\$	5,871
Total Liabilities	\$	5,871
Net Worth	\$	780,121

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Matt Froman (Membership Interest: 40%)

Income	Tax Returns		Estimated	Projections
	Tax Returns:	2017	2018	2019
Wages		39,036	72,870	76,514
Interest/Dividends		80	75	79
Net Income, Investment Properties		15,210		
Other Income		360		
Total Income Before Taxes		54,686	72,945	76,592
Federal Income Tax (enter as negative)		(4,345)	(6,518)	(6,843)
State Income Tax (enter as negative)		(1,477)	(2,216)	(2,326)
Net Personal Income after Taxes		48,864	64,212	67,423
Add-Back Depreciation/Amortization				
Adjusted Income		48,864	64,212	67,423
Living Expenses (See Drop-down for %)		19,546	25,685	26,969
Cash Available for Debt Service		29,318	38,527	40,454
Annual Debt Service				
Net Personal Cash Flow		29,318	38,527	40,454

Balance Sheet	as of: 05/21/2020
Cash & Equivalents	13,500
Retirement Accounts	41,000
Primary Residence	450,000
Investment Properties	1,851,366
Total Assets	2,355,866
Revolving Debt (credit cards, etc)	4,699
Mortgage Loan, Primary Residence	204,727
Mortgage Loan(s), Investment Property(ies)	862,988
Total Liabilities	1,072,414
Net Worth	1,283,452

Analysis of Guarantors' Financial Conditions:

- Richard Michaelson and Karen Karlson are the sole members of Nonetop, LLC, the entity that owns 60% of Foster the Phoenix, LLC.
- All guarantors have strong balance sheet and secondary sources of income and can cover cost-overruns beyond budgeted contingencies or fund operating expenses if revenue doesn't materialize as projected.

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12. GUARANTORS' PERSONAL CREDIT

- A credit report was obtained for Matt Froman, using Experian. The total Score was 757 (Score Range: 300-850).
- A credit report was obtained for Richard Michaelson, using Experian. The total Score was 816 (Score Range: 300-850).
- A credit report was obtained for Karen Karlsson, using Experian. The total Score was 796 (Score Range: 300-850).

13. COLLATERAL

Loans			
1st TD: Proposed Prosper Portland Loan			\$ 235,000
Total Indebtedness			\$ 235,000
Collateral Description	Stated Value	Discounted Collateral Value *	Valuation
Real Estate: 6615 SE Foster Rd	\$ 521,258	100%	\$ 521,258
Total Estimated Collateral Value			\$ 521,258
Total Combined Loan to Value (LTV)			45%

COLLATERAL ANALYSIS

The real estate valuation is based on an appraisal report completed in June 2017. Current appraisal report is not available, but updated appraisal report will be required as a condition of funding. The market value of the property in its current condition, per the Multnomah County's assessor, is \$382,790. If this valuation is used, the LTV would go up to 61%. A first position trust deed at a low LTV provides a strong collateral.

14. SOURCE OF REPAYMENT

Primary: Income from cashflow
Secondary: Guarantees from the principals of the business
Tertiary: Liquidation of collateral

15. ENVIRONMENTAL ISSUES

Asbestos Survey Report completed on May 28, 2019 by Atlas Labs Inc identified several asbestos-containing materials. The company recommended that materials that may be affected by the work be removed by a qualified asbestos removal actor.

16. UNDERWRITING STRENGTHS

- Good credit demonstrates commitment to financial obligations
- Projections demonstrate ability to meet financial obligations
- Partners has strong management/industry experience
- Strong collateral with LTV of 45%

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17. UNDERWRITING WEAKNESSES AND MITIGATING FACTORS

- The phased approach of the project presents challenge to performing a complete analysis of the project. Any risk and feasibility issues associated with the second phase of the project are not analyzed. This approach may also have a negative impact on demand for lease of the office spaces due to disturbance related to construction of the lower level.
- The impact of Covid-19 pandemic is not fully known and may have a significant negative impact on the demand for office and retail lease spaces.
 - To mitigate these concerns, the applicant has submitted six letters of intent to lease for five office spaces available for lease.
 - All guarantors have strong balance sheet and secondary source of income, and can cover operating expenses if the office spaces aren't leased up in time

18. PROSPER PORTLAND POLICIES

- Green Building Requirement -
Applicant will follow the City of Portland's Green TI Guide and is working with staff to ensure compliance
- Business & Workforce Equity Requirement - Not applicable
- Bureau of Labor & Industry (BOLI) / Prevailing Wage Requirement - Not applicable

19. EXCEPTIONS TO GUIDELINES - Not applicable

20. SPECIAL MENTION

None

21. CONDITIONS SUBJECT TO LOAN APPROVAL

- Applicant to provide proof of fund for \$100,000 of owner equity from Matt Froman
- Provide promissory note for \$20,000 unsecured loan
- Company must comply with all loan program guidelines
- Updated appraisal report

ATTACHMENTS

1. Letters of interest

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To Whom it May Concern:

2020 marks 20 years since I moved to Portland at 20 years old. I've had multiple chances to move away for various work opportunities but have chosen to stay in the city I love. My career has been evolving greatly over the past few years, and I have had a desire to establish a work space and studio for myself.

I was looking for a space in the Foster-Powell neighborhood and was delighted to see a listing for the Phoenix Pharmacy building. I'm a sucker for old buildings, and I have loved driving past this location over the last 20 years. There are not many architectural gems in East Portland; this beauty and surrounding area is so deserving of revival. In a city that is drastically shifting and changing, many of us are saddened to see "Old Portland" disappearing. The Phoenix is an integral part of this neighborhood, and I would be so honored to be even a small part of the restoration process. I could have found another space by now, but I am committed to waiting on the Phoenix.

I look forward to the hope and prospect of a beautiful restoration!

Sincerely,



Amy Gillespie

COMMERCIAL LEASE LETTER OF INTENT

Foster The Phoenix LLC
906 NW 23rd Ave Portland Oregon 97210

Effective Date: 7/23/2020

The Phoenix Pharmacy Building
6615 SE Foster Road Portland, Oregon 97206

RE: Intent to Lease Commercial Property

I. The Lessee: Amy Gillespie (the "Lessee").

II. The Lessor: Foster The Phoenix LLC (the "Lessor").

III. Address of Premises: 6615 SE Foster Road Portland Oregon 97206 (the "Premises").

Additional Description: Second Story Office Space Individual Room.

IV. Lease Term: The term of the lease shall be for a period of ☒ 1 year(s) ☐ 0 month(s) commencing on the 1st day of November, 2020, and expiring on the 31st day of October, 2021.

V. Use of Leased Premises: The Lessee intends to use the Premises for the following purpose:
Office / Studio Space

VI. Base Rent: The base rent of Six Hundred Dollars (\$600) shall be paid monthly on the 1st of each month with the first payment due upon the commencement of the lease (the "Base Rent").

VII. Expenses: In addition to the Base Rent, the Lessee shall pay the following monthly expenses:
Renters Insurance if they choose

The Lessor shall be required to pay the following monthly expenses:
All Utilities, Taxes, Insurance and building repairs

VIII. Security Deposit: A security deposit in the amount of Five Hundred Dollars (\$500) shall be due prior to or upon the signing of a lease.

IX. Subletting: The Lessee may not sublet the Premises without first obtaining the prior written consent of the Lessor.

X. Binding Effect: This Letter of Intent shall be considered:

☒ **Non-Binding** – Therefore, the parties acknowledge that this Letter of Intent is not enforceable by any Party. The terms outlined herein are solely for the purposes of reaching a later agreement in the future, of which the Lessee and Lessor are not bound.

XI. Governing Law: This Letter of Intent shall be governed under the laws of the State of Oregon.

LESSEE

Business Name Amy Gillespie Industry Commercial makeup artist + photographer

Lessee's Signature Amy Gillespie Date 7/26/20

Print Name Amy Gillespie

LESSOR

Lessor's Signature Matt Fenn Date 7/26/20

Print Name Matt Fenn

COMMERCIAL LEASE LETTER OF INTENT

Foster The Phoenix LLC
906 NW 23rd Ave Portland Oregon 97210

Effective Date: 7/23/2020

The Phoenix Pharmacy Building
6615 SE Foster Road Portland, Oregon 97206

RE: Intent to Lease Commercial Property

I. The Lessee: GTDevice LLC dba Antlion Audio (the "Lessee").

II. The Lessor: Foster The Phoenix LLC (the "Lessor").

III. Address of Premises: 6615 SE Foster Road Portland Oregon 97206 (the "Premises").

Additional Description: Second Story Office Space Individual Room.

IV. Lease Term: The term of the lease shall be for a period of ☐ 1 year(s) ☐ 0 month(s) commencing on the 1st day of November, 2020, and expiring on the 31st day of October, 2021.

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LESSEE

Business Name: Antlion Audio Industry: Gaming / Audio

Lessee's Signature Elishaya Wisniewitz Date 7/27/2020

Print Name Elishaya Wisniewitz

LESSOR

Lessor's Signature Matt Froman Date 7/27/2020

Print Name Matt Froman

We hope to see the Phoenix rise again in Foster!

Dear Prosper Portland,

I'm writing to express my intent to rent office space at the Phoenix Pharmacy when it becomes available and to urge you to fund this project to renovate and restore the building.

I am the co-owner of a two-person audio production company and we are planning on moving in to one of the office spaces as soon as possible. Ideally, we will be working with Matt Froman to build out one of the spaces to accommodate a small recording studio.

This opportunity to have an office in an up-and-coming neighborhood, at a reasonable price, and in a historic building is something we are very excited about pursuing. Everyone I've talked to about our potential move seems to know this building, and most express some kind of jealousy when I tell them that I'm in touch with Matt and may be working from the building by the end of the year.

I'm hopeful that the renovation will attract an eclectic and diverse set of businesses. I look forward to being part of the building's community.

Sincerely,

Peter Frick-Wright

COMMERCIAL LEASE LETTER OF INTENT

Foster The Phoenix LLC
906 NW 23rd Ave Portland Oregon 97210

Effective Date: 7/23/2020

The Phoenix Pharmacy Building
6615 SE Foster Road Portland, Oregon 97206

RE: Intent to Lease Commercial Property

I. The Lessee: Peter Frick-Wright (the "Lessee").

II. The Lessor: Foster The Phoenix LLC (the "Lessor").

III. Address of Premises: 6615 SE Foster Road Portland Oregon 97206 (the "Premises").

Additional Description: Second Story Office Space Individual Room.

IV. Lease Term: The term of the lease shall be for a period of ☐ 1 year(s) ☒ 0 month(s) commencing on the 1st day of November, 2020, and expiring on the 31st day of October, 2021.

V. Use of Leased Premises: The Lessee intends to use the Premises for the following purpose:
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LESSEE

Business Name 30 minutes west Industry Auto

Lessee's Signature  Date 7/22/20

Print Name Peter Frick-Wright

LESSOR

Lessor's Signature  Date 7/25/20

Print Name Matt Froman

Sara Carmona, LCSW, PMH-C
River City Counseling LLC
6118 SE Belmont Street, Suite 414
Portland, OR 97215
503-987-0800

Dear Prosper Portland,

My name is Sara Carmona. I am a Licensed Clinical Social Worker in private practice and homeowner/resident in Foster-Powell since 2005. My youngest child attends daycare in the neighborhood and my two older children are enrolled at Arleta, our neighborhood school.

Since moving to Foster-Powell 15 years ago we have seen substantial growth along Foster Road; the comings and goings of coffee shops, new restaurants, a game store, toy store and market. The development has provided our family with a hyper-local economy that we are proud to support and will continue to do so. We love and invest in our neighborhood.

I decided to move my therapy practice from NE to SE Portland in February 2019. Hoping to rent within walking distance of my home, I was disappointed by the limited number of commercial offices in my neighborhood. There were only a handful in existence and none available to lease. I found a sweet little office in north Tabor but it is still further from home than I care to be - an office in the heart of FoPo would be ideal.

I am proud to write this letter in support of developing the Phoenix Pharmacy into a commercial space with 2nd story offices. The plan is well conceived, aligned with the needs of the neighborhood, location is appropriate for myself and my clients, and the rent is comparable to my current lease. I believe this is a win for Foster-Powell and it's residents.

Please feel free to be in touch with any questions or concerns about this matter.

Sincerely,

A handwritten signature in black ink, appearing to be 'S. Carmona', written in a cursive style.

Sara Carmona, LCSW, PMH-C

COMMERCIAL LEASE LETTER OF INTENT

Foster The Phoenix LLC
906 NW 23rd Ave Portland Oregon 97210

Effective Date: 7/23/2020

The Phoenix Pharmacy Building
6615 SE Foster Road Portland, Oregon 97206

RE: Intent to Lease Commercial Property

I. The Lessee: River City Counseling LLC (the "Lessee").

II. The Lessor: Foster The Phoenix LLC (the "Lessor").

III. Address of Premises: 6615 SE Foster Road Portland Oregon 97206 (the "Premises").

Additional Description: Second Story Office Space Individual Room.

IV. Lease Term: The term of the lease shall be for a period of ☐ 1 year(s) ☒ 0 month(s) commencing on the 1st day of November, 2020, and expiring on the 31st day of October, 2021.

V. Use of Leased Premises: The Lessee intends to use the Premises for the following purpose:
Office / Studio Space

VI. Base Rent: The base rent of Six Hundred Dollars (\$600) shall be paid monthly on the 1st of each month with the first payment due upon the commencement of the lease (the "Base Rent").

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The Lessor shall be required to pay the following monthly expenses:
All Utilities, Taxes, Insurance and building repairs

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X. Binding Effect: This Letter of Intent shall be considered:

Non-Binding – Therefore, the parties acknowledge that this Letter of Intent is not enforceable by any Party. The terms outlined herein are solely for the purposes of reaching a later agreement in the future, of which the Lessee and Lessor are not bound.


XI. Governing Law: This Letter of Intent shall be governed under the laws of the State of Oregon.

Business Name River City Counseling LLC Industry Mental Health Therapy

Lessee's Signature  Date 7/27/2020

Print Name Sara Carmona, LCSW, PMH-C

LESSOR

Lessor's Signature  Date 7/27/2020

Print Name Matt Foman

COMMERCIAL LEASE LETTER OF INTENT

Foster The Phoenix LLC
906 NW 23rd Ave Portland Oregon 97210

Effective Date 7/23/2020

The Phoenix Pharmacy Building
6615 SE Foster Road Portland Oregon 97206

RE: Intent to Lease Commercial Property

I. The Lessee The Law Office of Shannon Mark Mortimer LLC (the "Lessee")

II. The Lessor Foster The Phoenix LLC (the "Lessor")

III. Address of Premises 6615 SE Foster Road Portland Oregon 97206 (the "Premises")

Additional Description: Second Story Office Space Individual Room

IV. Lease Term The term of the lease shall be for a period of 1 year(s) 0 month(s) commencing on the 1st day of November, 2020, and expiring on the 31st day of October, 2021

V. Use of Leased Premises The Lessee intends to use the Premises for the following purpose: Office / Studio Space

VI. Base Rent The base rent of Six Hundred Dollars (\$600) shall be paid monthly on the 1st of each month with the first payment due upon the commencement of the lease (the "Base Rent")

VII. Expenses In addition to the Base Rent, the Lessee shall pay the following monthly expenses: Renters Insurance if they choose

The Lessor shall be required to pay the following monthly expenses: All Utilities, Taxes, Insurance and building repairs

VIII. Security Deposit A security deposit in the amount of Five Hundred Dollars (\$500) shall be due prior to or upon the signing of a lease

IX. Subletting The Lessee may not sublet the Premises without first obtaining the prior written consent of the Lessor

X. Binding Effect This Letter of Intent shall be considered

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XI. Governing Law This Letter of Intent shall be governed under the laws of the State of Oregon

LESSEE

Business Name Levi's / L.L. Bean / L.L. Bean Industry Apparel

Lessee's Signature [Signature] Date 7/28/20

Print Name Sharon [Signature]

LESSOR

Lessor's Signature [Signature] Date 7/28/20

Print Name Walt Friman

COMMERCIAL LEASE LETTER OF INTENT

Foster The Phoenix LLC
906 NW 23rd Ave Portland Oregon 97210

Effective Date: 7/23/2020

The Phoenix Pharmacy Building
6615 SE Foster Road Portland, Oregon 97206

RE: Intent to Lease Commercial Property

I. The Lessee: Meagan Alm-Lunan, LMT #19902 (the "Lessee").

II. The Lessor: Foster The Phoenix LLC (the "Lessor").

III. Address of Premises: 6615 SE Foster Road Portland Oregon 97206 (the "Premises").

Additional Description: Second Story Office Space Individual Room.

IV. Lease Term: The term of the lease shall be for a period of ☐ 1 year(s) ☐ 0 month(s) commencing on the 1st day of November, 2020, and expiring on the 31st day of October, 2021.

V. Use of Leased Premises: The Lessee intends to use the Premises for the following purpose:
Office / Studio Space

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Renters Insurance if they choose

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VIII. Security Deposit: A security deposit in the amount of Five Hundred Dollars (\$500) shall be due prior to or upon the signing of a lease.

IX. Subletting: The Lessee may not sublet the Premises without first obtaining the prior written consent of the Lessor.

X. Binding Effect: This Letter of Intent shall be considered:

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XI. Governing Law: This Letter of Intent shall be governed under the laws of the State of Oregon.

LESSEE

Business Name MABODYWORK, LLC Industry Licensed Massage Therapy

Lessee's Signature  Date July 24, 2020

Print Name Meagen Alm-Lunan, LMT #19902

LESSOR

Lessor's Signature  Date 7/25/20

Print Name Matt Froman

Investment Approval Coversheet

See [CAFÉ Site](#) for required level of review before Executive Director approval. Add to the [Investment Items List](#), except for programmatic grants under \$300,000.

☐ Prosper Portland Board Action Required ☐ Budget Amendment Needed Attorney Assigned:

Action Requested

<input type="checkbox"/> Lease Review	<input type="checkbox"/> 2 to 5 years	<input type="checkbox"/> Over 5 years (requires Board Approval)
<input type="checkbox"/> Acquisition or Disposition	<input type="checkbox"/> Acquisition	<input type="checkbox"/> Disposition Step Number:
<input checked="" type="checkbox"/> Loan or Grant	<input type="checkbox"/> Loan Review	Dollar Amount of Transaction: Less Than \$300,000
	<input type="checkbox"/> Grant Review	Type of Transaction: Modification
	<input type="checkbox"/> Other	Any Exceptions to Program Guidelines? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, on page

Review Level Required:

☒ Delegated Review without program guideline exceptions (use the delegated review section below, not the CAFÉ Review section)

☐ Delegated Review with program guideline exceptions (use the delegated review section below, not the CAFÉ Review section)

☐ CAFÉ Review, Meeting Date: (use the CAFÉ Review section below, not the delegated review section)

Project Information:

Project Name:	Phoenix Pharmacy	Presenter(s):	Oscar Novelo
URA:	Lents Town Center	Project Address:	6615 SE Foster Rd
Business / Borrower Name:	Foster the Phoenix, LLC	City, State, Zip:	Portland, OR 97206

Delegated Review

Your signature below indicates approval.

Manager: Kay Little Jr Digitally signed by Kay Little Jr Date: 2021.09.02 20:28:20 -07'00' Date: _____
Comments: This loan modification increases loan amount to \$293K (please see additional comments under CAFÉ comments).

Department Director: Lisa Abuaf Digitally signed by Lisa Abuaf Date: 2021.09.09 11:57:31 -07'00' Date: _____
Comments: While the BWE requirement is not triggered at this time, any anticipated and forthcoming request for additional help

Not Applicable ☒ _____ Date: _____
Comments:

CAFÉ Review

Manager: _____

Comments: _____

Asset & Investment Manager: _____ Required for real estate and loan transactions

Comments: _____

Department Director: _____

Comments: _____

☐ Approval Recommended ☐ Not Approved Recommended ☐ Forward without recommendation

CAFÉ Comments:
Borrower requires \$58K loan increase to start Phase II and take advantage of signed LOI.
A final loan increase modification will come soon & will be taken to CAFE & Board for review/approval.

Adam Lane, CFO and Committee Chair

Alison Kean, General Counsel

Roger Gonzalez, Equity, Governance & Communications

Kay Little, Senior Business Finance Officer

Executive Director Sign Off:

☒ APPROVED ☐ NOT APPROVED ☐ MODIFICATION
Comments: _____

Kimberly Branam Digitally signed by Kimberly Branam Date: 2021.09.09 16:28:37 -07'00' Executive Director
Date: _____



INTERNAL MEMORANDUM

DATE: September 7, 2021

TO: Kay Little, Interim Manager, Asset and Investment
Lisa Abuaf, Director of Development and Investment

FROM: Oscar Novelo, Senior Business Finance Officer

SUBJECT: Delegated Authority Review

1. ACTION REQUESTED

Recommend approval to increase the Borrower's Commercial Property Redevelopment Loan (CPRL) by \$58,000, raising the total CPRL from \$235,000 to \$293,000, to redevelop the Phoenix Pharmacy, a historic building located at 6615 SE Foster Rd., Portland, OR 97206, in the Lents Town Center URA.

2. LOAN INFORMATION SUMMARY

Loan Program	Commercial Property Redevelopment Loan
Loan Amount	\$293,000 (\$235,000 + \$58,000)
Strategic Plan Alignment	TIF District
TIF District	Lents Town Center URA
Purpose	Building Rehabilitation
Loan Fee	\$580 (1% of the increase amount)
Interest Rate	5.25%
Term	10-year term, amortized over 25 years; 12 months interest-only payments, followed by 9 years of P&I payments
Interest-Only Payments	\$1,281.88
Principal & Interest Payments	\$1,755.80
Debt Coverage Ratio (DCR)	4.36 (average of 10-year projections)
Collateral	First position Trust Deed on subject property
Loan to Value (LTV)	21%
Guarantors	Matt Froman; Richard Michaelson; Karen Karlsson; Nonetop, LLC
Risk Rating	A
Exceptions to Guideline	None

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3. PROSPER PORTLAND EXPERIENCE WITH BORROWER AND ENTITIES

Program	Loan/ Grant	Amount	Settlement date	Note
DOS	Grant	\$12,000	3/16/2012	Obtained by Matt Froman
Prosperity Investment Program (PIP)	Grant	\$75,000	04/25/2017	Exceptions approved to increase from \$8,473.75 to \$75K on 11/4/2020
Predevelopment Loan	Loan	\$31,350*	8/13/2019	*Balance paid in full through the original CPRL
CPRL Original	Loan	\$235,000	10/27/2020	
CPRL Increase	Loan	\$58,000	TBD	
TOTAL		\$380,000		

4. PURPOSE OF LOAN / PROJECT DESCRIPTION

In August 2020, Prosper Portland extended a loan to Foster the Phoenix, LLC (Borrower) in the amount of \$235,000 for the rehabilitation of a historic building located at 6615 SE Foster Rd., Portland, OR 97206. This building is formerly known as Phoenix Pharmacy and falls within the boundaries of the Lents Town Center URA.

At that time, the Borrower originally wanted to complete all rehabilitation as one project, however, the building could not secure conventional financing. The Borrower opted to create a two-phased approach to complete the most urgent structural improvements and focus on the second floor using proceeds from our loan for Phase I; the strategy was to generate lease income and leverage conventional financing for Phase II.

The original loan of \$235,000 for Phase I focused on making improvements that would stabilize the building and allow it to generate income and become economically feasible. Phase I work includes improvements to the roof, façade, electrical, HVAC, and second floor office spaces. These improvements are underway and almost complete. The Borrower has signed its first lease on the second floor, with two more leases about to be signed. The Borrower has secured a temporary occupancy permit and is expecting the final occupancy permit once the storefront is complete.

Phase II will focus on rehabilitating the first floor. However, due to a recent opportunity to lease the entire first floor, the Borrower cannot proceed with their original strategy of leveraging conventional financing. The Borrower has recently secured a Letter of Interest from Foster Outdoor to occupy the first floor. Foster Outdoor has expressed that in order to move, they must occupy the new space in spring 2022, before their summer sales peak. If the Borrower cannot deliver the space by spring, Foster Outdoor will have to wait until fall 2022 to move. This delay would negatively impact the Borrower's cashflow in 2022.

The Borrower is requesting that the original loan be modified by increasing the loan from \$235,000 to \$293,000; this represents an increase of \$58,000. The purpose for this increase is to pay for soft costs associated with Phase II of the rehabilitation. The Borrower anticipates needing additional funds to complete first floor interior tenant improvements and other construction costs, beyond the \$58,000 currently being requested for soft costs. However, in order to begin work on the first floor improvements, the Borrower is requesting soft costs now,

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with an understanding that a request for hard costs will be forthcoming. It is also anticipated that their future loan increase will exceed a total loan amount of \$500,000 and will require Board approval.

For additional project information, please visit the developer's website at <https://fosterthephoenix.com/>.

5. FINANCIAL ASSISTANCE OBJECTIVES

The ***Commercial Property Redevelopment Loan (CPRL)*** program is designed to assist private partners with redevelopment, new development, and tenant improvements that encourage property revitalization and wealth creation within TIF Districts. The project must demonstrate a significant public purpose, which can include preservation of historic buildings, implementation of transit-oriented development, supportive of job growth or job retention, integration of sustainable and green building practices, and advancement of social equity. Most costs related to development are eligible for Prosper Portland assistance, including development feasibility analysis, property acquisition, environmental analysis, and remediation, seismic and tenant improvements and other construction costs, and public infrastructure improvements related to a development project.

Interest rate is a fixed rate based on the current Prime Rate plus 3% points with the ability to reduce by a maximum of three percentage points for meeting certain public objectives. One of the public benefit criteria outlined in the program is preservation of an older or historic building, identified as being a building on the National Register of Historic Places, either individually listed or identified as contributing in a historic district, or an older building eligible for 10% Historic Tax Credit. Although this building is not yet on the National Register, a one percentage point reduction is allowed based on the approval by the State Historic Preservation office for National register nomination.

6. APPROPRIATE AND NECESSARY DETERMINATION

The proposed project meets all program eligibility guidelines for the CPRL loan program. Specifically, it supports private partners preserve and renovate a historic building. The State Historic Preservation Office (SHPO) has approved the building to be submitted to the National Registry and has approved Diamond in the Rough Grant of \$20,000 to help with the renovation of the building.

The project has also secured a unanimous support from Foster Powell Neighborhood Association, Mt. Scott Arleta Neighborhood Association, and Foster Area Business Association.

Prosper Portland's financial support is necessary for the rehabilitation of the Phoenix Pharmacy building. Before the Borrower began rehabilitation work, the building had been vacant for many years. Traditional lenders are unwilling to lend to the project in the building's current condition.

7. COMPANY HISTORY & OVERVIEW

Foster the Phoenix, LLC was formed in August 2018 for the purpose of restoring the Phoenix Pharmacy building. Its Members include (1) Matt Froman who owns 40%, and (2) Nonetop, LLC which owns 60% (both Karen Karlsson and Richard Michaelson own Nonetop, LLC).

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Karen and Richard are experienced developers that specialize in restoring historic buildings. Matt Froman is the prior owner's son.

8. MANAGEMENT EXPERIENCE

Matt Froman, Managing Partner

Matt's family owned the property for over two decades. He took the initiative to partner with experienced developers to restore the subject building. He is employed by On The Mark Boston where he is a Tour Manager for Wheel of Fortune's "Wheelmobile." Matt also owns & manages several residential rental properties.

Karen Karlsson, Managing Partner

Karen Karlsson is the founder/owner of KLK Consulting, LLC, and she provides a range of regulatory, planning and construction management services to public and private clients. Karen has managed and acquired all the necessary permits for the I-205 light rail project, as well as obtained many of the land use approvals and building permits for the Mall light rail project. KLK Consulting, LLC has also acquired land use approvals and construction permits for the Portland Milwaukie Light Rail project and provided construction advice to Prosper Portland on the Union Station Critical Repairs project. Prior to launching her consulting business in 2003, Karen was a 23-year employee of the Portland Bureau of Transportation. As a Project Manager, she was involved in many complex development projects from planning through construction.

Richard Michaelson, Managing Partner

Rick Michaelson is a prominent Preservation expert in Portland and a recipient of The George McMath Historic Preservation Award, and award that is presented by the University of Oregon Historic Preservation Program to those that make a significant contribution to historic preservation in the state of Oregon. Rick Michaelson is also an experienced developer and the founder/owner of Inner City Properties Inc.

THIS SPACE IS LEFT INTENTIONALLY BLANK

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9. SOURCES & USES

Sources	Amount	Percentage
Proposed Loan (original and increase)	\$ 293,000	39%
Owner equity, Nontop, LLC - acquisition	\$ 200,000	26%
Owner equity, Matt Froman	\$ 100,000	13%
Unsecured Loan (Nonetop, LLC)	\$ 70,000	9%
Grant, Diamond in the Rough	\$ 20,000	3%
Grant, PIP	\$ 75,000	10%
Total Sources	\$ 758,000	100%
Uses	Amount	Percentage
Property Acquisition	\$ 200,000	26%
Roof with seismic	\$ 166,000	22%
2nd floor office & annex improvement	\$ 145,755	19%
Site and storefront improvements	\$ 60,000	8%
Architect, Engineering & Environmental	\$ 39,275	5%
Permit & Misc	\$ 10,000	1%
Historic building consultant	\$ 1,160	0%
Contingency	\$ 48,810	6%
Carrying cost	\$ 29,000	4%
Phase II - 1st Floor (soft costs)	\$ 58,000	8%
Total Uses	\$ 758,000	100%

Owner equity totals \$300,000 plus \$20,000 secured by the owners; this represents 30.62% of total costs. To date, Prosper Portland's total contribution to this project totals \$380,000 , including a \$12,000 DOS grant, \$75,000 PIP grant, the original CPRL, and this new loan request.

The loan from Nonetop, LLC to Foster the Phoenix is earmarked to cover carrying costs associated with the project. It is unsecured and simple interest accrues at 7% compounded annually. No payments are required until November 29, 2022.

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10. OPERATING PROFORMA

Revenue	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Potential Gross Income	\$ 114,901	\$ 118,348	\$ 121,898	\$ 125,555	\$ 129,322	\$ 133,202	\$ 137,198	\$ 141,314	\$ 145,553	\$ 149,920
Vacancy	\$ 5,745	\$ 5,917	\$ 6,095	\$ 6,278	\$ 6,466	\$ 6,660	\$ 6,860	\$ 7,066	\$ 7,278	\$ 7,496
Effective Gross Income	109,156	112,431	115,804	119,278	122,856	126,542	130,338	134,248	138,275	142,424
Expenses										
Maintenance & Cleaning	\$ 898	\$ 925	\$ 953	\$ 981	\$ 1,011	\$ 1,041	\$ 1,072	\$ 1,104	\$ 1,138	\$ 1,172
Utilities	\$ 950	\$ 979	\$ 1,008	\$ 1,038	\$ 1,069	\$ 1,101	\$ 1,134	\$ 1,168	\$ 1,203	\$ 1,240
Insurance	\$ 1,517	\$ 1,563	\$ 1,609	\$ 1,658	\$ 1,707	\$ 1,759	\$ 1,811	\$ 1,866	\$ 1,922	\$ 1,979
Property Taxes	\$ 6,265	\$ 6,453	\$ 6,647	\$ 6,846	\$ 7,051	\$ 7,263	\$ 7,481	\$ 7,705	\$ 7,936	\$ 8,174
Management		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Expenses	\$ 17,605	\$ 18,133	\$ 18,677	\$ 19,237	\$ 19,815	\$ 20,409	\$ 21,021	\$ 21,652	\$ 22,301	\$ 22,971
Total operating expenses	\$ 27,235	\$ 28,052	\$ 28,894	\$ 29,760	\$ 30,653	\$ 31,573	\$ 32,520	\$ 33,496	\$ 34,500	\$ 35,535
Net Operating Income	\$ 81,921	\$ 84,379	\$ 86,910	\$ 89,517	\$ 92,203	\$ 94,969	\$ 97,818	\$ 100,752	\$ 103,775	\$ 106,888
Debt service										
Unsecured Loans (\$70K)	\$ 1,138	\$ 1,138	\$ 1,138	\$ 1,138	\$ 1,138	\$ 1,138	\$ 1,138	\$ 1,138	\$ 1,138	\$ 1,138
Prosper Portland Loan	\$ 15,383	\$ 21,070	\$ 21,070	\$ 21,070	\$ 21,070	\$ 21,070	\$ 21,070	\$ 21,070	\$ 21,070	\$ 21,070
Total debt service	\$ 16,521	\$ 22,208	\$ 22,208	\$ 22,208	\$ 22,208	\$ 22,208	\$ 22,208	\$ 22,208	\$ 22,208	\$ 22,208
Cash flow after debt service	\$ 65,400	\$ 62,171	\$ 64,702	\$ 67,310	\$ 69,995	\$ 72,761	\$ 75,610	\$ 78,545	\$ 81,567	\$ 84,681
Debt service coverage	4.96	3.80	3.91	4.03	4.15	4.28	4.40	4.54	4.67	4.81

OPERATING PROFORMA ANALYSIS

The revenue in the operating proforma is based on seven signed LOIs and supported by a Costar comparable analysis conducted for small office spaces in the area. According to the report, Gross Asking Rent over the two-year period was \$24.09/sf, whereas the Gross Effective Rent was \$18/sf. The businesses that submitted the LOI include:

1. Attorney
2. Make-Up Artist/Photographer
3. Clinical Social Worker in private practice
4. Gaming/Audio company
5. Massage Therapist
6. Podcast Production company, and most recently
7. Foster Outdoor

The operating revenue shows that the company can maintain an average DSC of 4.36 over the ten-year projected period, demonstrating ability to repay its debt obligations. The primary debt service obligation will be to Prosper Portland for the proposed loan. The company's other debt obligation, held by Nonetop LLC, is unsecured and has no payment requirement until November 29, 2022.

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11. GUARANTORS' FINANCIAL CONDITION

Matt Froman (Membership Interest: 40%)

Balance Sheet as of:	8/30/21
Cash & Equivalents	\$ 30,000
Stocks & Bonds	
Retirement Accounts	\$ 56,923
Profit Share - Vested	
Cash Value Life Insurance	
Income Tax - Refund Due	
Other Tax Refund	
Accounts, Contracts & Notes Receivables	
Primary Residence	\$ 525,000
Investment Properties	\$ 1,852,070
Personal Property	
Other Assets	
Total Assets	\$ 2,463,993
Non-Real Estate Term Loans	
Revolving Debt (credit cards, etc)	\$ 6,345
Mortgage Loan, Primary Residence	\$ 346,405
Mortgage Loan(s), Investment Property(ies)	\$ 672,151
Total Liabilities	\$ 1,024,901
Net Worth	\$ 1,439,092

Income	Tax Returns			Projections			
Tax Returns:	2017	2018	2019	2020	2021	2022	
Wages	\$ 39,036	\$ 72,870	\$ 77,640	\$ 54,080	\$ 56,784	\$ 59,623	
Interest/Dividends	\$ 80	\$ 75	\$ 137	\$ 67	\$ 70	\$ 74	
Capital Gains/ Losses							
IRA Distributions							
Pensions & Annuities							
Social Security Income							
Net Income, Investment Properties	\$ 15,210		\$ (19,857)	\$ (23,190)	\$ (24,350)	\$ (25,567)	
Other Income	\$ 360					\$ -	
Total Income Before Taxes	\$ 54,686	\$ 72,945	\$ 57,920	\$ 30,957	\$ 32,505	\$ 34,130	
Federal Income Tax (enter as negative)	\$ (4,345)	\$ (6,518)	\$ (3,475)	\$ (703)	\$ (738)	\$ (775)	
State Income Tax (enter as negative)	\$ (1,477)	\$ (2,550)	\$ (2,717)	\$ (1,893)	\$ (1,987)	\$ (2,087)	
Net Personal Income after Taxes	\$ 48,864	\$ 63,877	\$ 51,728	\$ 28,361	\$ 29,779	\$ 31,268	
Add-Back Depreciation/Amortization							
Adjusted Income	\$ 48,864	\$ 63,877	\$ 51,728	\$ 28,361	\$ 29,779	\$ 31,268	
Living Expenses (See Drop-down for %)	\$ 19,546	\$ 25,551	\$ 20,691	\$ 11,344	\$ 11,912	\$ 12,507	
Cash Available for Debt Service	\$ 29,318	\$ 38,326	\$ 31,037	\$ 17,017	\$ 17,868	\$ 18,761	
Annual Debt Service							
Net Personal Cash Flow	\$ 29,318	\$ 38,326	\$ 31,037	\$ 17,017	\$ 17,868	\$ 18,761	

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Karen Karlsson (50% owner of Nonetop LLC)

Balance Sheet as of:		8/30/21
Cash & Equivalents	\$	28,879
Stocks & Bonds	\$	-
Retirement Accounts	\$	772,730
Profit Share - Vested	\$	-
Cash Value Life Insurance	\$	-
Income Tax - Refund Due		
Other Tax Refund	\$	-
Accounts, Contracts & Notes Receivables	\$	-
Primary Residence		
Investment Properties		
Personal Property	\$	15,000
Other Assets		
Total Assets	\$	816,609
Non-Real Estate Term Loans		
Revolving Debt (credit cards, etc)	\$	6,247
Mortgage Loan, Primary Residence		
Mortgage Loan(s), Investment Property(ies)		
Total Liabilities	\$	6,247
Net Worth	\$	810,362

Income		Historical			Projections		
Tax Returns:		2017	2018	2019	2020	2021	2022
Wages			\$ 396	\$ 1,907	\$ 435	\$ 457	\$ 480
Interest/Dividends			\$ 5,281	\$ -	\$ -	\$ -	\$ -
Capital Gains/ Losses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IRA Distributions	\$ 27,838	\$ 22,902	\$ 34,902	\$ 40,902	\$ 42,947	\$ 45,094	
Pensions & Annuities			\$ -	\$ -	\$ -	\$ -	\$ -
Social Security Income			\$ -	\$ -	\$ -	\$ -	\$ -
Net Income, Investment Properties	\$ (2,213)	\$ (13,877)	\$ (6,949)	\$ (60,261)	\$ (63,274)	\$ (66,438)	
Other Income				\$ 1,908	\$ 2,003	\$ 2,104	
Total Income Before Taxes	\$ 25,625	\$ 14,702	\$ 29,860	\$ (17,016)	\$ (17,867)	\$ (18,760)	
Federal Income Tax (enter as negative)	\$ -	\$ -	\$ (261)	\$ -	\$ -	\$ -	\$ -
State Income Tax (enter as negative)							
Net Personal Income after Taxes	\$ 25,625	\$ 14,702	\$ 29,599	\$ (17,016)	\$ (17,867)	\$ (18,760)	
Add-Back Depreciation/Amortization			\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Income	\$ 25,625	\$ 14,702	\$ 29,599	\$ (17,016)	\$ (17,867)	\$ (18,760)	
Living Expenses (See Drop-down for %)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Available for Debt Service	\$ 25,625	\$ 14,702	\$ 29,599	\$ (17,016)	\$ (17,867)	\$ (18,760)	
Annual Debt Service							
Net Personal Cash Flow	\$ 25,625	\$ 14,702	\$ 29,599	\$ (17,016)	\$ (17,867)	\$ (18,760)	

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Richard Michaelson (50% owner of Nonetop LLC)

Balance Sheet as of: 8/30/21	
Cash & Equivalents	\$ 138,932
Stocks & Bonds	\$ 1,201,155
Retirement Accounts	\$ -
Profit Share - Vested	\$ -
Cash Value Life Insurance	\$ -
Income Tax - Refund Due	
Other Tax Refund	\$ -
Accounts, Contracts & Notes Receivables	\$ 1,043,824
Primary Residence	\$ -
Investment Properties	\$ 6,335,689
Personal Property	\$ 39,000
Other Assets (investments)	\$ 4,729,978
Total Assets	\$ 13,488,578
Non-Real Estate Term Loans	
Revolving Debt (credit cards, etc)	
Mortgage Loan, Primary Residence	\$ -
Mortgage Loan(s), Investment Property(ies)	\$ 635,097
Total Liabilities	\$ 635,097
Net Worth	\$ 12,853,481

Income		Historical			Projections		
Tax Returns:	2017	2018	2019	2020	2021	2022	
Wages	\$ 94,495	\$ 100,396	\$ 101,907	\$ 50,425	\$ 52,946	\$ 55,594	
Interest/Dividends	\$ 97,973	\$ 139,748	\$ 89,107	\$ 134,314	\$ 141,030	\$ 148,081	
Capital Gains/ Losses	\$ 155,344	\$ 1,885,182	\$ 55,847	\$ (3,000)			
IRA Distributions							
Pensions & Annuities							
Social Security Income	\$ 21,310	\$ 21,773	\$ 27,477	\$ 27,968	\$ 29,366	\$ 30,835	
Net Income, Investment Properties	\$ 75,959	\$ (325,801)	\$ 211,546	\$ -	\$ -	\$ -	
Other Income		\$ 874		\$ (611,926)			
Total Income Before Taxes	\$ 445,081	\$ 1,822,172	\$ 485,884	\$ (402,219)	\$ 223,342	\$ 234,509	
Federal Income Tax (enter as negative)	\$ (39,504)	\$ (297,393)	\$ (106,125)	\$ -	\$ -	\$ -	
State Income Tax (enter as negative)							
Net Personal Income after Taxes	\$ 405,577	\$ 1,524,779	\$ 379,759	\$ (402,219)	\$ 223,342	\$ 234,509	
Add-Back Depreciation/Amortization			\$ -	\$ -	\$ -	\$ -	
Adjusted Income	\$ 405,577	\$ 1,524,779	\$ 379,759	\$ (402,219)	\$ 223,342	\$ 234,509	
Living Expenses (See Drop-down for %)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Cash Available for Debt Service	\$ 405,577	\$ 1,524,779	\$ 379,759	\$ (402,219)	\$ 223,342	\$ 234,509	
Annual Debt Service							
Net Personal Cash Flow	\$ 405,577	\$ 1,524,779	\$ 379,759	\$ (402,219)	\$ 223,342	\$ 234,509	

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Nonetop, LLC (60% owner of Foster the Phoenix)

Balance Sheet	9/2/21
Cash	66,699
Inventory	-
Total Current Assets	66,699
Real Estate Investments	829,448
Loans to projects	397,638
Total Assets	1,293,785
Total Current Liabilities	10
Long Term Debt	1,200,000
Total Liabilities	1,200,010
Shareholder's Equity	93,775
Total Equity	93,775
Total Liabilities & Equity	1,293,785
Working Capital (Current Assets less Current Liab.)	66,689
General Liquidity (Working Capital / Total Assets)	5%
Current Ratio (Current Assets / Current Liab.)	6669.90
Total Debt-to-Assets (Total Liab. / Total Assets)	93%
Total Debt-to-Equity (Total Liab. / Total Equity)	1280%

Analysis of Guarantors' Financial Conditions:

- Karen Karlsson and Richard Michaelson each own half of Nonetop, LLC, the entity that owns 60% of Foster the Phoenix, LLC.
- Matt Froman owns the remaining 40% of Foster the Phoenix, LLC.
- All guarantors have strong balance sheets and secondary sources of income.
- Richard Michaelson shows a significant loss of \$611,926 on his 2020 tax return. He explained that this was due to his passthrough loss from Nonetop, LLC, which came from the sale of the Morris Marks House. The sale of the house was less than the cost of moving it and rehabilitating it. Mr. Michaelson explained that this was a planned paper loss, and does not affect his balance sheet or cashflow.
- Karen Karlsson shows a smaller loss of \$60,261, and it too is attributed to the same passthrough. This was confirmed by reviewing the 2020 tax return for Nonetop, LLC.

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GUARANTORS' PERSONAL CREDIT

- In 2020, a credit report was obtained for Matt Froman, using Experian. The total Score was 757 (Score Range: 300-850).
- In 2020, a credit report was obtained for Richard Michaelson, using Experian. The total Score was 816 (Score Range: 300-850).
- In 2020, a credit report was obtained for Karen Karlsson, using Experian. The total Score was 796 (Score Range: 300-850).

12. COLLATERAL

Loans			
1st TD: Proposed Prosper Portland Loan			\$ 293,000
Total Indebtedness			\$ 293,000
Collateral Description	Stated Value	Discounted Collateral Value *	Valuation
Real Estate: 6615 SE Foster Rd	\$ 1,420,000	100%	\$ 1,420,000
Total Estimated Collateral Value			\$ 1,420,000
Total Combined Loan to Value (LTV)			21%

COLLATERAL ANALYSIS

The real estate valuation is based on an appraisal report completed on September 30, 2020. The appraisal revealed that the “Prospective Market Value upon Completion and Stabilization” would be \$1,420,000.

A forward-looking value for the property ten years from now, using projected 2030 NOI and a capitalization rate of 5.5% yields a value of \$1,943,423.

A first position trust deed at a low LTV provides strong collateral.

13. SOURCE OF REPAYMENT

Primary: Income from cashflow
Secondary: Guarantees from the principals of the business
Tertiary: Liquidation of collateral

14. ENVIRONMENTAL ISSUES

Asbestos Survey Report completed on May 28, 2019 by Atlas Labs Inc. identified several asbestos-containing materials. The company recommended that materials that may be affected by the work be removed by a qualified asbestos removal vendor.

15. UNDERWRITING STRENGTHS

- Good credit demonstrates commitment to financial obligations
- Projections demonstrate ability to meet financial obligations, demonstrated by strong DCR
- Partners have strong management/industry experience
- Strong collateral, demonstrated by low LTV

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16. UNDERWRITING WEAKNESSES AND MITIGATING FACTORS

- The phased approach of the project presents a challenge to performing a complete analysis of the project. Any risk and feasibility issues associated with the hard costs of the Phase II of the project are not analyzed.
- The impact of the COVID-19 pandemic is not fully known and may have a negative impact on the demand for office and retail lease spaces.
 - To mitigate these concerns, to date, the applicant has submitted seven letters of intent to lease.
 - All guarantors have strong balance sheet and secondary source of income, and can cover operating expenses if the office spaces aren't leased up in time.

17. PROSPER PORTLAND POLICIES

- Green Building Requirement -
Applicant will follow the City of Portland's Green TI Guide and is working with staff to ensure compliance
- Business & Workforce Equity Requirement - Not applicable
- Bureau of Labor & Industry (BOLI) / Prevailing Wage Requirement - Not applicable

18. EXCEPTIONS TO GUIDELINES - Not applicable

19. SPECIAL MENTION

None

20. CONDITIONS SUBJECT TO LOAN APPROVAL

- Company must comply with all loan program and Prosper Portland policy guidelines